Warehouse stores packing them in the aisles

Stores expanding to keep up with demand

By M. Howard Gelfand

Some time this month, the Cub warehouse store in Fridley, Minn., a Twin Cities suburb, will close. The groceries that are stacked to the ceiling will be carted off and sold to the highest bidder. Cub will sell the building to someone, just as long as they don't make a supermarket out of the place.

These days, grocery stores close all the time, but this closing is especially significant because this store started the super warehouse revolution. A supermarket was just a supermarket when Jack Hooley opened the doors 15 years ago; now there are warehouses, super warehouses, superstores and hybrids that defy any description.

M. Howard Gelfand is a writer in Minneapolis.

And Jack Hooley, as much as anyone else, has forced the competition to find distinctive niches.

Customers at Cub stores bag their own groceries...

But this store has a problem quite unlike those that closed many of its competitors. It's so obvious that you notice it right as you walk in: Jack Hooley can't sell groceries fast enough.

This particular morning is an average one. It's the middle of the week, and the 15 checkout counters are all busy. Grocery carts are stacked to the top with fresh produce and "hot" specials like the big $1.29 watermelons that are piled to the ceiling in huge bins at the front of the store.

"The business is so good that we can't handle the crowd," says Mr. Hooley, who opened the store with his brother Charlie in 1968. "We just can't crank enough people through the front end any more." It's an easy enough problem to solve. As soon as this Cub store closes, a new one will open a mile or so up the road. The new store will occupy 78,000 sq. ft.—almost three times the size of the old one.

It will have 27 checkout lanes,

...at any one of the store's 27 checkout lanes.

a complete bakery and its own sausage kitchen. And it will undoubtedly do what all the other Cub stores have done: Make money.

That has been the only constant since the Hooley brothers discovered how to sell groceries 10% to 20% cheaper than conventional supermarkets. The store has evolved over the years, changing the warehouse concept in the process. In the beginning, the walls were bare brick and the floor was concrete. Most shoppers hauled their groceries in cumbersome flat carts. "We always emphasized rock-bottom prices," says Mr. Hooley, "but in the beginning it wasn't a very pleasant shopping experience."

Now there's bright paint and linoleum, standard grocery carts and the usual grocery-store music. Fresh produce was almost incidental in the begin-

Perspective

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"But remember that with superhighways you can drive, say, from one side of Minneapolis to the other in 20 minutes."

This is not to say that shopping in a single store, even a superstore, has become the norm. Walter Heller, director of research with *Progressive Grocer*, says studies show most shoppers will go to three different supermarkets in a month while doing 75% to 80% of their buying in one of those stores.

The point is that with the current multiple grocery formats, shoppers have a choice.

Format after format

Varying formats of supermarkets is the grocery industry's way of dealing with what it sees out there in society—not the single great monolith of "the common man," but a variety of pieces or segments, each meeting a specific need.

G.E. Spitzer, general manager of Steinberg Inc., Montreal, talks about these segments, as recorded in the 1983 report "Close-Up on Today's Food Marketing," published by the Newspaper Advertising Bureau:

"The market of today—the life styles of today—are so different that basic strategies must be different. Years ago we realized that nobody could serve 100% of the market, but we said... we could drop the bottom 10 [and] the top 10 and zero in on the 80% in the middle. Well, that 80% no longer exists. There are different segments now."

In the past several years, such questioning and the innovations have turned the grocery marketing facility into something that is no longer a supermarket but several different kinds of stores. Each has its own chunk of total sales and dollars; each strives to serve a segment of consumers and probably reaches several in the process.

The most recent complete tabulation for the U.S., made in 1982, according to Mr. Heller of *Progressive Grocer*, showed a total of 162,000 grocery stores, with 28,950 of these (17.9%), in the supermarket class—that is, with at least 17,000 sq. ft. of floor space and annual sales of $2 million or more. In 1982, these stores did 71.7% of all U.S. grocery sales.

Conventional supermarkets are still the largest in total numbers, although the 5,000 big conventionals and superstores are now doing 40% of all grocery business in the U.S.

Are some types of grocery formats more profitable than others? The answer is, yes, although research findings and conclusions vary.

Mr. Heller says superstores and warehouse stores are going to do the best business over-all; combination stores are going to do better than conventional supermarkets; conventionals are not going to be too impressive, and convenience stores are the best growth area for the future.

Income figures for 1982 show an average gross margin of 22.03% for all formats and average net profit of 0.88%, including taxes, according to Jack Cergol, communications manager with the Food Marketing Institute (FMI), Washington, one of the industry's trade associations. Mr. Cergol believes net profits will possibly grow to about 1% in 1983.

Those important shares

The key is (1) to sell more to each customer and (2) increase market share. Picking the right format is only one way to gain that share; others are increased services, merchandising and advertising.

Larger store size has seemed to be a way to increase sales for the past four decades or more. Safeway Stores has removed itself from the entire Omaha, Neb., area, at least in part because it had many older smaller stores and both Albertson's and Hinky Dinky were planning newer larger stores for the area. Taking a different approach in Washington, Safeway closed four stores in a relatively small area and opened one large superstore. But grocery analysts don't all agree about the inevitability of continued store ballooning. *(See accompanying story on opposite page.)*

What seems likely is that some superstores will go in here and there at denser population centers, junctions of interstates and urban freeways and the fringes of upscale-income population growth.

What is certain is that *all* these stores will be reaching out along the great midway of services, beckoning with more and better extras and niceties while beating the drum harder for merchandising and advertising.

Services are the way that su-

Where America shops for food

10 top U.S. grocery chains

	1982 U.S. sales (billions)	Total stores
1. Kroger Co.	$14.5*	1,258
2. Safeway Stores	13.5**	2,400 (1,888 U.S.)
3. Lucky Stores	7.5	1,576
Food store sales	5	541
4. American Stores Co.	7.5	1,100
Food stores		680
5. Winn-Dixie Stores	7	1,220
6. Great Atlantic & Pacific Tea Co.	4.7	1,055
7. Grand Union Co.	4	725
8. Albertson's	3.5	412
9. Jewel Cos.	5.4	347
Food stores	3.4	
10. Supermarkets General Corp.	3	117
Food stores	2.7	

Source: "Closeup on Today's Food Marketing," February, 1983, Newspaper Advertising Bureau.

*In February, Kroger's sales level increased from $11.5 billion to $14.5 billion after the company acquired Dillon Cos. of Hutchinson, Kan.

**Safeway worldwide sales of $17 billion make it the largest grocery chain in the world.

ning; now entire truckloads are taken from farms to the store and stacked in the first aisle. The concept remains the same: Buy in bulk, sell in bulk, eliminate unnecessary labor and pass the savings on to the customer.

In industry terms, Cub is still a super warehouse; but the "warehouse" has been deemphasized and the "super" has been stressed. Except for the fact that customers still have to bag their own groceries and wheel them out to their cars, shopping at Cub isn't much different than shopping anywhere else.

According to the "Competitive Edge," a monthly report published by Willard Bishop Consulting Economists, Barrington, Ill., warehouse stores and super warehouse stores combined, account for 7.2% of U.S. grocery stores sales.

"Every few months the lines of distinction between the warehouse and the conventional supermarket blur a bit more," says Timothy Murphy, who keeps tabs on the grocery industry for Willard Bishop. Mr. Murphy, who recently wrote a research report on Cub's success, says one of the keys to success in grocery marketing these days is change. "You can't remain stagnant in a stagnant market," Mr. Murphy says. "If you want to grow, you have to do things differently, because your increased sales have to come out of somebody else's hide."

In the Sunbelt, where supermarkets can sell more food simply because the population is growing, the warehouse concept is still a novelty. But in the Twin Cities, where population growth is flat, the conventional supermarket is fading.

Music and brightly painted decor enhance the . . .

One company, Red Owl, is busy selling its conventional supermarkets to independent operators. But Red Owl, a division of Wickes Cos., Santa Monica, Cal., is hanging on to its 39 Country Store warehouse units in the Midwest. Most of the Country Stores are conversions of conventional supermarkets.

Cub, a division of Super Valu stores, plans to replace three of its other Twin Cities stores with larger buildings this year. It has plans for more expansion in the Twin Cities and in other markets. Cub has six Twin Cities stores now, with seven other units in Wisconsin, Illinois and Indiana.

Super Valu has phased itself out of grocery retailing, selling company-owned Super Valu stores to independent operators and continuing to supply those stores as a wholesaler, but the company will continue to operate some Cub stores and sell others to franchisees.

The proliferation of warehouse stores in the Twin Cities has not eliminated other formats. In suburban St. Louis Park, shoppers can bag their own groceries at a Country Store or cross the highway to a Byerly's superstore that has become a major tourist attraction. The Byerly's store, which sprawls across 92,000 sq. ft., includes a pharmacy, liquor store, restaurant, cooking school, chocolate shop, greeting card store and a gift shop, where one can spend a few thousand dollars on a grandfather clock.

. . . shopping experience at Cub warehouse stores.

Byerly's and the Country Store both continue to thrive—a tribute to their success at carving out a distinctive niche in an increasingly fragmented market. Indeed, Mr. Murphy's study detects warehouse shoppers' fierce loyalty.

Take, for example, Gordon Morris, an executive of a clothing store chain in the Twin Cities, who says he won't cross the street to Byerly's. "I think it's part of a plastic age," he says.

Like most of the Cub shoppers profiled, Mr. Morris shops for a family—his wife and two hungry sons--and is willing to bag his own groceries in exchange for saving money. His typical weekly grocery bill comes to $75 to $85—from $10 to $15 less he says than he would normally pay at a conventional supermarket.

"I felt somewhat inadequate packing up the boxes in the beginning," he says. "I thought I

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permarkets today can differentiate themselves from the competition, says Paul J. Reuter, president of Supermarket Insights, a New York-based company that makes on-location videotapes of grocery store operations for training and industry self-improvement. And that competition, he says, is coming increasingly from all other areas.

Store size and services are closely linked in considering any new grocery store design. The key consideration, says Timothy Murphy, an associate of Willard Bishop Consulting Economists, Barrington, Ill., is matching size to local need. "Historically the industry has developed prototypes and taken them into new areas with a cookie-cutter approach. But it costs a lot of money to start a new store."

Or as Tim Hammonds, FMI economist puts it: "Services and design really depend on local markets. You try to customize the mix of favorites to produce combinations that meet local needs. Grocery companies in the 1950s knew what kind of store to build. Supermarket operators today are finding the right mix of services."

More are added all the time, some of the newer being salad bars, automotive products, fresh pasta, financial services and, from Canada, bulk foods, dried beans, coffee and tea.

Convenience stores, too, are responding to customer demand for newer services. There are 51,150 of these stores in the U.S., and according to Kerly Le Boeuf, of the National Assn. of Convenience Stores, they "are in a trend of responding very rapidly to customer demand—for example, a lot of probing now of ATM [automatic teller machines] bank machines."

Meanwhile, merchandising is coming from the manufacturers as well as the stores. Chains supply some of their own, and now there is an added dimension, reports Mr. Murphy. "Stores are asking to see how well the suppliers will do for them. Historically the stores have taken what was offered. Now they're beginning to ask for merchandising in specific areas." The reason is clear. The right merchandising gives instant sales help, according to Tom Batey, president of Glendinning Associates, a marketing consultant company in Westport, Conn.

"A good merchandising display," says Mr. Batey "with products at the same price that's marked on the general shelving, can move groceries at four to eight times the normal rate, and with reduced prices, 10 times. With reduced prices, plus good advertising backup, plus a maximum merchandising effort, plus the right product—coffee or tuna fish, for example—we can move a year's volume in a week."

In supermarket advertising, one-stop shopping is a current strong selling point. Print will remain the No. 1 medium, in the opinion of Mr. Murphy, but some grocery companies also are getting into broadcast and experimenting with cable tv.

While the traditional print grocery advertising has had the flexibility to make changes up to within days or even hours of sale time, it is now being challenged by a new approach to tv commercial production. Mr. Batey reports that some specialized, retail-oriented tv ad agencies are helping grocers get into tv with the same flexibility as print. "These specialists," he reports, "have geared up the studio to shoot commercials with formated shots so that last-minute additions and deletions can be made."

Yet all grocery marketing in 1983 is much more than what is on the page or the screen. It is the store itself . . . perhaps the steel-shelved muscle and sinew and no-nonsense of the warehouse store. But certainly the natural woods, soft lighting, and sparkling tile of the newest special-service stores.

And the way things look now, with the variety of store formats in the marketplace today, the choice is yours. AA

There's one for all*

- **Conventional supermarkets:** A self-service grocery store that offers a full line of groceries, meat and produce with at least $2 million in annual sales.
- **Superstore:** A modern, upgraded version of the conventional supermarket with at least 30,000 sq. ft. in total area and more than $8 million in annual sales. Offers an expanded selection of nonfoods and service departments (*e.g.* deli, bakery, seafood).
- **Food and drug combo:** Combination of a superstore and drugstore under a single roof and a common checkout. Drugstore merchandise represents at least one third of the selling area and a minimum of 15% of store sales.
- **Warehouse store:** A low-margin grocery store that combines reduced variety, lower service levels, less decor, streamlined merchandising presentation and aggressive prices.
- **Super warehouse store:** A high-volume hybrid format of the superstore and the warehouse store offering full variety, quality perishables and low prices.
- **Limited-assortment store:** A very "bare-bones," low-price grocery store that eliminates services and carries fewer than 1,000 items with few, if any, perishables.
- **Convenience store:** A small, higher-margin grocery store that offers an edited selection of staple groceries, nonfoods, and other convenience items, including carry-out foods and gasoline.

*Because of the tremendous variations in performance among different operators of the same store type, this data reflects the average or typical within each store format.

Source: "Competitive Edge," (July, 1983), published by Willard Bishop Consulting Economists, Barrington, Ill.

Sizing up the future

If the current trend toward bigger supermarkets continues, it's possible to imagine something approaching Chicago's McCormick Place or Houston's Astrodome in size—a whole city's groceries *cum* life-support services under one roof. But is the supermarket growth trend universal and irreversible?

Grocery industry observers vary in their analyses of the size question, as Advertising Age Magazine recently discovered:

- Jack Cergo, Food Marketing Institute: "I don't think grocery stores will continue across the board to grow larger and larger. The conventional supermarket isn't going to disappear. What we will see is a very gradual increase in size of the standard supermarket over the next several years—29,000 sq. ft. to 31,000 or 32,000 sq. ft. The average is now around 30,000 sq. ft., but local conditions can require variations from this."
- Ken Partch, *Supermarket Business:* "There will be a trend toward larger stores, as store trading areas grow larger. Whether this process will continue, I don't know. Developments in consumer needs and the kinds of stores offered them can create a different kind of vacuum. Conventional supermarkets of 15,000 sq. ft. to 20,000 sq. ft. are closing. Except in the Southeast, where nobody is building conventional supermarkets. An evolution to superstores, big drug combos, and super warehouse stores—with mixtures of each—is the direction we're going."
- Tim Murphy, Willard Bishop Consulting Economists Ltd.: "Grocery stores are getting larger, but the rate of increase is peaking. Many new stores built in 1983 are the same size (as predecessors) or just slightly larger. Many are about 30,000 sq. ft. although there may be plans for some up to 50,000 sq. ft. Kroger is building stores of 22,000 to 27,000 sq. ft. called Super-X Stores, which are combination drug and grocery stores."
- Paul J. Reuter, Supermarket Insights, a New York-based company that makes on-location videotapes for the industry: "The trend is to larger stores but not just by chains. Independents still have a good foothold with their larger units. Yes, the trend in chains is to superstores, such as Safeway's emphasis although it has several other types. Independents are now stressing two formats, superstores and warehouse—both regular warehouse and warehouse superstores such as Cub, Edwards and Pick 'n Save."

As for minimarkets, says Kerly Le Boeuf, National Assn. of Convenience Stores: "Convenience stores are not necessarily going to get bigger than they are. Average size has been about 2,400 sq. ft. for a long time. There are some super convenience stores of 3,500 to 5,000 sq. ft. and some smaller, 2,200 to 2,250 sq. ft." AA

Argentina's largest agencies

Ranked by 1982 gross income

Rank	Agency	Income (000)
1.	J. Walter Thompson Argentina	$4,519.2
2.	Ricardo de Luca Publicidad	2,771.4
3.	David Ratto (affiliated with BBDO/Intl.)	2,521.1
4.	Ortiz, Scopesi & Cia. (part of Ogilvy & Mather Intl.)	2,466.9
5.	Casares, Grey & Asociados	1,820.0
6.	Gowland Advertising*	N.A.
7.	Lautrec Publicidad (part of DFS Intl.)	1,637.4
8.	Young & Rubicam de Argentina	1,625.0
9.	Pragma/FCB Publicidade	1,596.0
10.	Lintas:Buenos Aires	1,440.0

*Unofficially, Gowland has replaced Gunther Krauss S.A. de Publicidad.

Source: Advertising Age

Don't cry for U.S. shops in Argentina

By MARINA SPECHT

BUENOS AIRES—To most Americans, the image of Argentina is a country with an unstable economy, continuous currency devaluations and probably the last place an advertising agency would want to be in business.

To make matters worse, the antibusiness Peronist party is expected to sweep the elections on Oct. 30, raising the specter of a ban on advertising, which it imposed the last time it was in office.

But don't look for an exodus of U.S. agencies from Argentina, one of the largest advertising markets in Latin America. That's because their businesses are growing like topsy.

Half of Argentina's top 15 agencies—most of which are U.S.-owned or affiliated—expect to increase real (i.e., adjusted for inflation) billings by an average of 35% this year in local currency. And that's with an inflation rate that hit 30% last *month*.

The rest of the agencies are getting hit hard by the economic crunch, and some may be forced to close down.

"This year there'll be no in-betweens," says Horacio Diez, president of J. Walter Thompson de Argentina.

The growth of large agencies is exemplified by JWT, the No. 1 agency here with 1983 billings estimated at $22.8 million. "The agency's biggest achievement this year, " says Mr. Diez, "is that we increased our leadership over No. 2 by about 15%."

"Our clients are more aggressive, more optimistic and are launching new products," says Pablo Gowland, president of the agency of the same name, the sixth-largest in Argentina.

For example, in July, British American Tobacco's Nobleza Piccardo, one of Gowland's biggest clients, launched its Conway cigaret with about $2 million in billings.

Another marketer, Johnson & Johnson de Argentina, upped its ad budget by as much as 30% this year, says Mr. Gowland, who handles J&J's market-leading feminine hygiene products.

Also, J&J recently introduced Tylenol with a $1.5 million ad campaign, through Young & Rubicam de Argentina, and it plans to

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Cathay Airways campaign may replace Michael York

Crain News Service

HONG KONG—Cathay Pacific Airways is launching the second phase of its Marco Polo campaign next year, which may mean dropping British actor Michael York, who plays the character of Marco Polo, according to one Cathay official.

Cathay's switch of its $7.5 million account to Leo Burnett Co. from Fortune (Far East) Ltd. was the biggest account switch in Asia last year (AA, Sept. 6, '82).

That move sounded the death knell for the Fortune Group, headquartered in Sydney, Australia, with offices in Hong Kong, Malaysia, Indonesia and Singapore, which had held the Cathay business for 22 years.

The Cathay campaign, which started in May, is built around a Marco Polo-like character, played in print and on tv by Mr. York, and the slogan, "The real traveler's way."

The campaign is designed to position Cathay as an airline for the business-class traveler.

Burnett won the account partly by promising a "big idea" campaign. But the campaign has been widely criticized by competing ad agency officials.

One criticism is that it uses an Englishman, Mr. York, to portray an Italian—Marco Polo—and that it reminds the Chinese population of the British control over Hong Kong as the colony is being turned over to the People's Republic of China (in 1997).

It took Marco Polo a lifetime to do what we do in a day.
"For the real traveller, the world is getting bigger."
Marco Polo
THE REAL TRAVELLER'S WAY
CATHAY PACIFIC

The launch of Cathay Pacific Airways' campaign, via Leo Burnett Co., Hong Kong, is based on the story of Venetian world traveler Marco Polo.

A spokesman for the airline's advertising department conceded that since the change of agencies, "There seem to be a few problems."

But one top Burnett official said it was planned that the campaign would have multiple stages and "there is no indication that this campaign is not on a normal course."

Last month, Cathay and Burnett officials were locked in their regularly scheduled worldwide creative summit, this year held in Hong Kong.

The summit draws together the top creative resources of Burnett offices in Sydney, Tokyo, Hong Kong, Chicago and London. The airline's ad manager, Duncan Pring, also attended.

In another development, Jim Harris, head of the agency in Hong Kong for about a year, will leave in December to return to the agency's Australian office in a senior position. He will be replaced by Kerry Rubie, who already holds the position of regional manager for Asia and Japan.#

Colgate loss leaves D'Arcy lame

By DAGMAR MUSSEY and HOWARD SHARMAN

DUESSELDORF—Following the loss of $40 million in Colgate-Palmolive billings worldwide, mostly in Europe, D'Arcy-MacManus & Masius is facing a massive rebuilding job with no Colgate replacement in view.

"If you elect to be in this league you have to be confident that in the long run you gain more than you lose," says Bert de Vos, D'Arcy chairman in London.

The agency originally gained the Colgate business through a London merger with another agency, and it was one of three multinational clients on which the European network is based.

So far, D'Arcy has announced no personnel cutbacks; sources say it is aiming for U.K. business from Beecham Products or Unilever's Elida Gibbs toothpaste and toiletries—recently resigned by Foote, Cone & Belding when it merged with NCK (AA, Aug. 29).

However, Beecham already is increasing its ties with Ogilvy & Mather and Grey Advertising, and Unilever uses J. Walter Thompson Co., O&M and SSCB:Lintas.

Sources at German agencies expect D'Arcy to go after either Henkel or a local account, like Blendax toothpaste, but are pessimistic about D'Arcy's chances.

"D'Arcy can't pick its clients," says one top German agency official. "It will have to take what the other big agencies leave over."#

New hurdle for FCB/NCK: FIRA

By MIKE DIEBERT

TORONTO—NCK Organization and Foote, Cone & Belding this week are facing a major hurdle to their worldwide merger plans: Canada's Foreign Investment Review Agency (AA, Aug. 29).

When FIRA, the government agency that can stop mergers and acquisitions that don't benefit the Canadian economy, begins taking evidence from the ad agencies, it is by no means certain that the government will approve the merger.

The two agencies must contend that the merger will not cut down competition (not likely to be a problem, since the new shop already has lost some business through client conflict), and that it could increase employment and use of Canadian goods and services.

NCK chairman Ed Roncarelli said that the agencies expect to increase their business by joining forces, but that the merged shop will not steamroll local agencies.

When asked what would happen if FIRA refuses the merger application, Mr. Roncarelli replied, "I haven't even thought about that."

Working against FIRA's approval is the fact that U.S. investment in this country has been politically unpopular throughout the administration of Prime Minister Pierre Trudeau.

Also, in the past, these Canadian-U.S. mergers have not been automatically approved. Since FIRA came into being in 1976, it has stopped Wells, Rich, Greene from opening here and refused Kenyon & Eckhardt permission to buy a 40% stake in Grant/Tandy. Canadian-owned Vickers & Benson, to help N W Ayer get around FIRA, opened a division called V&B/Ayer. Since then the Ayer name has disappeared.

Campbell-Ewald managed to sidestep the FIRA requirement by opening in Toronto under federal incorporation as a subsidiary of the Interpublic Group of Cos., which already operates in Canada as parent of McCann-Erickson and SSC&B:Lintas.

When Saatchi & Saatchi linked with Compton Advertising, instead of opening its own office in Canada Saatchi set up a working agreement with Canadian-owned F.H. Hayhurst Co. to service British Airways.

Grey Advertising, which gained $8 million in billings of Canadian-owned Crombie Advertising in April, evaded probable FIRA objection by simply starting a new agency, Grey Ronalds Smith, and installing Crombie's owners as minority partners. Crombie then quietly was folded.

The basic policy has not changed, insists Charles Byron, FIRA's director of research and policy communications. "Canada has always welcomed foreign investment, provided it is of significant benefit," he says.

The only thing the two shops can count on getting is a quick answer, since the waiting time has been cut from 90 to 60 days.#

world news roundup

(Continued from Page 3)

election. As many as 16 parties may respond. Meanwhile, the leading Peronist party is outspending its main rival, the Radical party, by 3 to 1.

LONDON—B&Q do-it-yourself retail chain, owned by U.K.-controlled Woolworth Holdings (which took over the F.W. Woolworth stores here last year), has tapped Michael Bungey DFS to handle its $9 million account, resigned last June by Allen Brady & Marsh.

MILAN—H.J. Heinz Co. reportedly is negotiating to buy an Italian company, Industria Buitoni Perugina. Official sources at both companies are denying that a deal has been signed, but IBP is also talking with Poulain Industries, a French candy marketer.

LA PAZ—Heineken N.V. has shelved plans announced earlier this year to open a brewery here. The halt is due to Bolivia's worsening economy. The beer was due to begin production in November.

ON THE MOVE: Geoffrey Cousins to the new post of chief executive officer, George Patterson Pty., Sydney, part of Ted Bates Worldwide and Australia's largest agency, from managing director. **Keith Cousins** to chairman of the Ted Bates South East Asia region, as well as the George Patterson Australia group. . .**Roberto Forero** to managing director, Leo Burnett Co., Sao Paulo, from managing director, Burnett, Buenos Aires. **Ricardo Zobel**, currently managing director, Burnett, Santiago, Chile, will move to Buenos Aires in the same position, and **Juan Manuel Hernandez** will become managing director of the Santiago office from account director. . .**Jan Pester** to director, Leagas Delaney, London, from associate and account director, Foote, Cone & Belding, London.

Yacht win sparks Aussie bonanza

By JUDITH MATHESON

SYDNEY—Australia II's victory in the America's Cup yacht race has sparked a bonanza for marketers and the media here.

Licensing of America's Cup-related products already is estimated to have generated $2.7 million in retail sales, and is increasing fast.

The West Australian government expects that with the 1987 challenge, in which a U.S. yacht is a likely contender to try to win back the cup, an extra $446.7 million will be generated by tourism in the state.

Australia II's biggest sponsor was Alan Bond's Bond Corp., owner of the Swan Lager brewing company in Western Australia and the department store chain Waltons Bond.

According to Swan's marketing manager, Terry Edmondson: "A golden opportunity like this doesn't come along often. . .Our strategy is to capitalize on the brand awareness. . .until the U.S. challenge in Perth in 1987."

The brewery has released a commemorative Swan lager can with a picture of the Swan lager spinnaker. Swan ran full-page ads in major metropolitan newspapers and export markets in Singapore and the U.K., and tv spots appeared in Western Australia.

Swan began exporting its lager beer to the U.S. during the race and is considering stepping up the exports (AA, Oct. 3).

On the morning of the victory, Waltons Bond mounted a huge "fighting" kangaroo, complete with red boxing gloves, atop its main Sydney store. The company expects strong sales of flags, kangaroo replicas and t-shirts.

The leading outdoor board company, Australian Posters, another of the yacht's sponsors, created a board in Perth with a picture of the cup overflowing and the slogan "Our cup runneth over."

At the Sydney offices of the largest Australian-owned ad agency, Monahan Dayman Adams, a sign bearing the cup proclaimed "Australian owned. MDA—we're Aussie, too."

Qantas Airlines, which will be bringing the cup back to Australia, also is planning a special promotion.

John Fairfax & Sons' newspaper group will distribute a color book on the race. The book already has guaranteed sales of 25,000 in the U.S.#

BBDO takes new tack in Europe

By DENNIS CHASE

NEW YORK—BBDO International, which for years has been active in buying minority shares of agencies around the world, has modified that approach to gain more pan-European business.

Late last month Willi Schalk, BBDO's international president, set up a new full-service agency, BBDO International, in London.

The new agency will "demonstrate our commitment. . .to the development of pan-European business," he said.

The agency, with Bill Wilson, now international exec vp, as managing director, is starting with unspecified billings from Gillette Co. BBDO owns a minority share of its main London agency, SJIP/BBDO.

The key to BBDO's unusual move is the growing importance of London as a center for decisions about pan-European and pan-Middle East ad campaigns.

"It's a different kind of business compared with local accounts," says Mr. Schalk. "We wanted a separate organization with different staffing and orientation."#

Brazil's version of the controversial Calvin Klein spots shows Freddy, who wants to be a "vagabundo."

Brazil bans Calvin jean ad

By LAUREL WENTZ

SAO PAULO—Calvin Klein's latest ad campaign here might outdo the controversial U.S. commercials that inspired it.

A commercial by the jeans marketer was taken off Brazilian tv late last month, after just three days on the air.

Like the campaign in the U.S., the Brazilian commercials consist of young people talking about themselves and their lives, without mention of the advertised product, before a final shot of the jeans or sportswear the subject is wearing.

The banned Brazilian commercial stars young Freddy, who says his mother brought him up well, "but it doesn't work; what I really want is to be a *vagabundo*." He dons a pair of punk-like dark glasses with a happy sneer.

The commercial is "a pernicious influence on young people," charged both a government office that oversees tv and the Advertising Self Regulatory Council.

But Brazilian authorities have not touched another three Calvin commercials.

Executives at Calvin Klein's Brazilian agency, Fischer & Justus, are puzzled but delighted by their sudden notoriety. They gleefully promise a second flight of four commercials this month "more shocking than the first."

"I'm not telling young people to use drugs or beat up their parents," says agency creative director Eduardo Fischer.

"We're preparing a big bomb," Mr. Fischer says of the commercials to follow. In one, Freddy asks, "Do you like my eyes? My ears? My smile?" Then he shouts, "I don't feel like pleasing anybody." Freddy then sticks out his tongue and makes a horrible face.

To further needle his critics, Mr. Fischer plans to shoot a new beginning, with Freddy saying, "Some people didn't like my commercial. So we made another one."

Calvin Klein's Brazilian marketing manager, Clovis Lopes, estimates the designer has captured, in little more than one year in Brazil, 25% to 30% of the designer jeans market, formerly dominated by Pierre Cardin and Yves St. Laurent.#

Airlines may suspend Brazil service

SAO PAULO—International airlines reportedly are considering a possible suspension of international air service to Brazil if the government does not allow airlines to remit earnings back to their U.S. home offices.

The move comes in the midst of the Brazil ad industry's worsening tailspin. The biggest ad market in Latin America has scrapped its 5% billings growth forecast this year in favor of a more realistic forecast of a slight drop in billings.

Meanwhile, Brazil's Central Bank—the sole agent for all foreign exchange transactions—is sitting on more than $30 million from 20 international airlines.

The airlines—unable to discover if they will be able to get their money out—have made veiled threats about cutting service.

American Airlines ended its flights to Brazil in mid-September, leaving Pan American World Airways the only U.S. carrier with Brazil routes.

Meanwhile, the Brazilian government has forced supermarkets not to raise prices of basic foods and cleaning supplies for at least one month.

Supermarket operators are shaken by the looting in recent weeks of hundreds of supermarkets and grocery stores by hungry Brazilians in Rio de Janeiro and Sao Paulo. In further signs of growing Brazilian unrest, Molotov cocktails were hurled at the U.S. consulate in Sao Paulo, and unemployed workers are living in tents in Sao Paulo's largest park.#—*L.W.*

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Don't cry for U.S. ad agencies

(Continued from Page 50)

expand its baby products line, some products of which have a 90% market share in Argentina.

"You stop watching tv for a week and when you come back there'll be two new commercials on the air," says Roberto Forero, president of Leo Burnett Co., the 13th-largest agency in the country.

In Burnett's case, this strange theory is certainly true. The agency picked up $2 million of new business this year from Braun appliances and Citibank and expects to double its billings this year.

David Ratto, president of David Ratto Advertising, affiliated with BBDO International, says, "As long as the recession continues, we will see a concentration of accounts in the hands of the most professional, efficient and serious ad agencies."

His agency, which was hurt by the loss of R.J. Reynolds Industries' Camel account last May, won the $850,000 Volkswagen Argentina's Gacel launch last month.

The confidence of the ad industry stands in sharp contrast to the country's economic chaos.

Although there are still three weeks to go before the crucial elections, an end-of-term atmosphere already has blanketed the country. Millions of workers, from teachers to garbage collectors, are going on strike on an almost weekly basis, paralyzing vast sectors of the economy.

Businessmen predict that the inflation rate may soon reach the 54%-a-month level that was recorded in 1976, immediately after the downfall of Isabel de Peron's government.

Although Juan Domingo Peron's widow has not returned from exile in Spain, the Peronists remain the favorites to win the elections, according to the latest polls (AA, July 18).

If the Peronists win, and ban advertising as they did in 1964, then all bets are off. But so far the industry is confident that an ad ban won't happen.

"This country has seen economic chaos and political instability for the past 30 years," says Ricardo de Luca, president of an agency with the same name. He believes that "the advertising industry has become somewhat immune to all the sickness surrounding it and will survive."

Survival is what six medium-size agencies had in mind this year when they formed a media-buying pool called Espacios. The pool places ads for a 10% commission, instead of the regular 15%, because it gets volume discounts from the media.

Federico Ortiz, president of Ortiz, Scopesi & Cia. (part of Ogilvy & Mather International) says that it's largely thanks to Espacios, which he joined, that his agency expects to bill $13.9 million this year, "a 60% improvement over last year's billings."

According to Mr. Ortiz, "the key to survival in a market as unpredictable as this is to have as many clients as possible for many different sectors, since the one thing you don't have here is continuity."

Unpredictability is what agencies faced last week when the government announced it was banning imports and the purchase of foreign currency. That has thrown all forecasts out of whack again.

"Anything can happen to an agency this year in Argentina, from closing down to doubling billings," says Mr. Forero, who is taking over the Burnett office in Brazil.#

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Second time around

Can a legendary Hong Kong adman perform miracles for Saatchi ?

— International Section

Atlantic City's casinos

Targeting the high rollers

The marketing combat heats up as all nine gaming places jockey for a bigger chunk of the $2 billion gamblers blow annually at the tables and slot machines — Magazine

NEWSPAPER

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Outgoing FTC commissioner David Clanton involved in debate over definition.

FTC nearing a new 'deception' stance

By RICHARD L. GORDON

WASHINGTON—The role of the "reasonable consumer" is said to be a key sticking point as Federal Trade Commission members try to agree on new criteria to define more narrowly the kinds of deceptive advertising practices that will be challenged in the future.

"We're treading through a minefield of past decisions," according to FTC commissioner David Clanton, who proposed the project after Congress balked at FTC chairman James Miller's efforts to have a definition of "deception" added to the Federal Trade Commission Act.

"We're not yet at agreement, but we're closer," commissioner Clanton said of the internal bargaining that's been under way inside FTC. "That's the accomplishment," he said, recalling that the FTC members were split widely on the issue only a year ago.

The new document under preparation at FTC is said to run well beyond 15 pages and include references to 50 or more past ad cases as guidance for FTC lawyers and advertisers on what the commission believes is the proper approach to determining deception.

Mr. Clanton, whose term at FTC expired Friday before the project could be completed, in an interview spelled out three major areas of dispute:

• The so-called "reasonable" standard, which holds that an ad claim would be deceptive only if it misleads consumers acting "reasonably" under the circumstances. Though discussion about "reasonable" interpretations of ad claims often appears in FTC cases, the commission has not bound itself explicitly to that principle. Nor has their been general agreement inside FTC that a "reasonableness" standard would not hinder FTC's

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In wake of MGM/UA's move to WRG

Fox may exit JWT

By BOB MARICH

LOS ANGELES—The Hollywood advertising scene, tranquil for several years, is suddenly erupting with a vengeance.

The fireworks started last week when MGM/UA Entertainment named Wells, Rich, Greene, onetime agency for Columbia Pictures, to handle its $35 million-plus advertising account, effective Jan. 5.

WRG succeeds Diener/Hauser/Bates, which is also the agency for Paramount Pictures.

The attendant executive moves connected with that development have prompted 20th Century-Fox Pictures to initiate quietly an agency review of its own, ADVERTISING AGE has learned.

Fox executives were unavailable for comment on its agency situation.

Fox, which spends over $50 million, is with J. Walter Thompson Co.'s Entertainment group.

"Thompson may keep the account," said one source. "But Fox now finds that the key people that were the reason it went with the agency in the first place are no longer there."

The reason is that two key executives are now in the MGM/UA camp.

Things haven't been so up in the air in Hollywood since early 1980. In rapid-fire succession at that time, Universal Pictures nabbed Doyle Dane Bernbach from Fox, which selected JWT Entertainment as a replacement. Columbia named Needham, Harper & Steers/USA to succeed WRG, which has been without a movie account until now.

WRG has set up an entertainment division to service MGM/UA, and named as its president

(Continued on Page 80)

Bitterness airs at Ogilvy trial

By GAY JERVEY

NEW YORK—An acrimonious atmosphere pervaded the courtroom here last week when Ogilvy & Mather's top creative executive, Norman Berry, took the stand in the trial of a sex discrimination case filed by two female employes against the agency.

Mr. Berry, exec vp, was questioned by Judith Vladek of Vladek Waldman, Elias & Engelhard, on the manner in which an employe working in another area of the agency could transfer into an entry-level position in the creative department.

One of the complainants, Jane Zukofsky, a broadcast department employe, had attempted such a transfer on three separate occasions and was turned down each time.

During the questioning of Mr. Berry, Judge Lee Gagliardi chastised attorneys for both sides for their apparent inability to camouflage bitter feelings, and on their use of snide remarks and comments. Referring to a "spillover of personal animosity," the judge asserted firmly and with a raised voice, "I don't like it and it's not

(Continued on Page 80)

Alberto's split 30s add ABC

By CRAIG REISS

NEW YORK—ABC-TV this week will join its rival networks in accepting Alberto-Culver Co.'s controversial 30-second commercials advertising two unrelated products.

The decision by ABC to accept the experimental spots through the fourth quarter of 1983 is a change in the network's policy on unrelated-product messages in the same 30-second commercial pod.

Last summer, ABC had taken split 30-second spots from Alberto-Culver and Ralston Purina Co., but those spots had promoted similar products.

Purina had advertised both dog and cat foods in split 30s on ABC, while Alberto-Culver had run split commercials for haircare products.

NBC last summer became the first network to accept split 30s for unrelated products, to stave off legal challenges.

CBS followed suit, but required advertisers to begin the commercial with a corporate identification and to run a bridge between the two sales messages.

The practice of taking split 30s received considerable attention at the recent Assn. of National Advertisers convention in Hot Springs, Va. (AA, Oct. 10).

Many advertisers object to the practice because they fear it will worsen clutter on network tv, and ultimately pave the way for the 15-second spot becoming the standard unit.

But Leonard H. Lavin, chairman of Alberto-Culver, said he is not pushing for the 15-second unit.

"These commercials are not necessarily two 15-second spots," Mr. Lavin said. "They could be a 10 and a 20. It could be 24 seconds and six seconds, as far as I'm concerned."

The executive insisted that the point is that more than one product should be able to be advertised within the 30-second pod. His company has long advocated that.

Jake Keever, vp in charge of sales at ABC, said: "We are going to begin accepting the Alberto nonrelated-product spots on an experimental basis. At the end of the fourth quarter, we will decide whether or not to continue with them."

Mr. Keever said that other advertisers, whom he declined to identify, had approached ABC about running split 30s for nonrelated products.#

highlights

Monday, October 17, 1983

The International Union of Advertisers Assn. issued a strong resolution against local regulation of advertising on direct broadcast satellite tv in Europe. *See Page 6.*

Actor Alan Alda is exercising unusual creative control over his role in Atari home computer tv advertising. *See Page 10.*

A.C. Nielsen Co. reports that freestanding Sunday inserts are the fastest-growing medium for coupons. *See Page 12.*

Hunt-Wesson has withdrawn an ad for its Hunt's catsup that had been challenged in September by the National Advertising Division. *See Page 14.*

General Motors has been ordered by a Federal Trade Commission judge to open its car rental ad deals to retailers on an equal basis. *See Page 20.*

A new public service drug abuse campaign created at the urging of First Lady Nancy Reagan makes its debut. *See Page 20.*

Tv stations were urged by speakers at a Katz Probe/Marketing Seminar to recognize the changing healthcare field as a major growth area. *See Page 32.*

Pfizer is pleased with its advertising campaign giving consumers information on healthcare. *See Page 32.*

Chemical Bank is taking a unique marketing approach with its new Favia Hill & Associates unit. *See Page 40.*

New marketing tools and continuing brand segmentation are escalating the battle between major hotel chains. *See Page 50.*

Playboy is reorganizing its video division in an effort to transform it into a more sales-oriented operation. *See Page 54.*

Henson Associates is hoping that children and licensees alike will be swept along in a new wave of Muppet mania with the introduction of the Muppet Babies. *See Page 56.*

The Washington Times' first Audit Bureau of Circulations audit, scheduled for this month, has been postponed at the paper's request. *See Page 66.*

Major foodservice chains see the need to communicate a distinct identity and quality as the key to growth. *See Page 68.*

Reader's Digest gets a new publisher on Jan. 1. *See Page 79.*

Ramon Gaulke is leaving Intermarco Advertising to become president of the newly formed Gannett Media Sales. *See Page 85.*

CORPORATE CLOSEUP

Benetton, which in Europe is to casual apparel what Levi's is to jeans in the U.S., is planning to step up its marketing efforts here. *See Page 4.*

INTERNATIONAL

Nestle Co. is the target again of consumer advocates, and this time it's a group in Switzerland, the Europe-Third World Center, which attacks the company's marketing success in Latin America. *See Page 44.*

The Argentine Peronist party, expected to be voted back into power Oct. 30, is showing an anti-American streak in its poster advertising. At the same time, the outgoing Argentine military government is granting five minutes per day of free tv time to each political party. *See Page 44.*

Miller High Life's recent launch in Canada shows early signs of being one of the most successful foreign beer launches in that country, according to beer industry sources. *See Page 47.*

MAGAZINE

Casinos in Atlantic City are building a marketing arsenal that includes image-building, new construction and the recruitment of "high rollers." *See Page M-4.*

Magazines: There are things about these periodicals that make them unique but still sensitive to the whims of the marketplace. *See Page M-9.*

William Tyler's most recent "Ten" include ads created by agencies themselves to promote their services. *See Page M-72.*

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